

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REPORT, 2015

Docket No. ACR2015

COMMENTS OF THE
NATIONAL ASSOCIATION OF PRESORT MAILERS
(February 2, 2016)

The National Association of Presort Mailers (NAPM) respectfully submits these comments on the United States Postal Service's FY2015 Annual Compliance Report (ACR)(December 29, 2015).

NAPM membership includes 90 company members representing 136 mailing sites mailing in 36 states. NAPM represents mail owners preparing their own mail and mail service providers that commingle client mailings. Our members interact with, and collect mail from, tens of thousands of mail consumers and combine their mail together to present it as a single mailing to the Postal Service so that the client can receive the benefits of workshare postage discounts with minimal involvement with the complex mailing standards required of the Postal Service. Collectively, NAPM represents approximately 40 percent of the total First-Class Letter Mail volume.

The members of NAPM are valued partners with the Postal Service, delivering high quality mail to the Postal Service with accurate addresses, high quality barcodes, and high density preparation levels, transported and entered where the Postal Service wants it, bypassing many initial processing functions. NAPM members are committed to ensuring this mail remains profitable and in the Postal system. We are true partners with the Postal

Service: we sell their products, our customers are their customers, and just like the Postal Service, without mail we don't have a business.

I. First-Class Mail Rate Design

The FY2015 ACR data highlight: (1) a pattern of above-average increases imposed on Presort letters, and (2) the failure to passthrough the full value of the workshare-related costs avoided. The same rate design flaws were reported by NAPM in Docket ACR2014 and Docket No. R2015-4.

NAPM fails to understand why the Postal Service is not taking steps to address these rate design issues. First-Class Mail letter presort mail volumes have trended more favorably for the Postal Service than Single-Piece volumes. Presort letters are more price sensitive and more profitable than Single-Piece letters. Presort letter on time delivery standards are achieved at greater success rates due to the effective preparation and downstream entry of mail that presort mailers provide. USPS realizes on average a 3.6 cent per piece higher unit contribution for each Presort letter relative to Single-Piece according to the FY2015 ACR. The Postal Service should be doing everything it can to grow presort mail. Yet the FY2015 ACR data show that a continuing pattern of disproportionate price increases on Presort letters has created a disparity in average cost coverage that disadvantages Presort mail relative to Single-Piece.

The Postal Service's practice of decreasing workshare discounts also has the effect of decreasing operational efficiency, increasing prices paid by mailers, and discouraging mail volume growth. NAPM members work with their customers to educate them and help them prepare and present the most efficient mail to the Postal Service. Much of this work is not recognized in the cost models. For that reason it is essential that workshare discounts fully reflect the savings to the Postal Service that are reflected in the cost models. The Postal Service could set discounts equal to avoided costs in a way that is revenue neutral under the

price cap. Doing so would help stimulate the growth of its most finely presorted and most profitable mail.

The Postal Service should reduce prices on more profitable and price sensitive Presort letters. The Postal Service should also set workshare discounts equal to avoided costs. That is the only way the Postal Service can improve operational efficiency and lower total mailing costs. These changes would also help grow Presort volumes, increase Postal operational efficiency, improve the Postal Service's financial condition, and help drive more mail into the automation mail stream.

II. Presort Benchmark

Last year the Postal Service introduced a separate price for metered mail. The Commission correctly held that the “price differential between Stamped and Metered Letters is an appropriate exercise of the Postal Service’s pricing flexibility.” FY2014 Annual Compliance Determination at 68. The separate meter rate also serves an important function as the single-piece benchmark for calculating First-Class Mail Automation Letter prices. This is important because it increases the Postal Service’s pricing flexibility in setting presort discounts and allows the Postal Service to measure workshare-related costs avoided and to price from a more accurate presort benchmark. For these reasons, NAPM strongly supports the continuation of a separate meter rate.

III. First-Class Mail Flats

First-Class Mail Flats are an increasingly important issue for NAPM members. NAPM respectfully requests that the Commission encourage the Postal Service to improve the First-Class Mail Presort Flats costing methodology for future Annual Compliance Reports. The current methodology does not provide a clear understanding of the true costs as indicated by the continual fluctuation in the reported “costs avoided” each year by the Postal

Service.

The Postal Service should also review the eligibility requirements for flat mailings as part of an effort to drive more First-Class Mail flats into the Full Service mail stream. NAPM has been actively involved in the Mail Preparation and Entry Steering Committee discussions regarding First-Class Mail Flats schemes. NAPM supports the concept.

The NAPM appreciates the Commission's consideration of these reply comments.

Respectfully submitted,
National Association of Presort Mailers

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